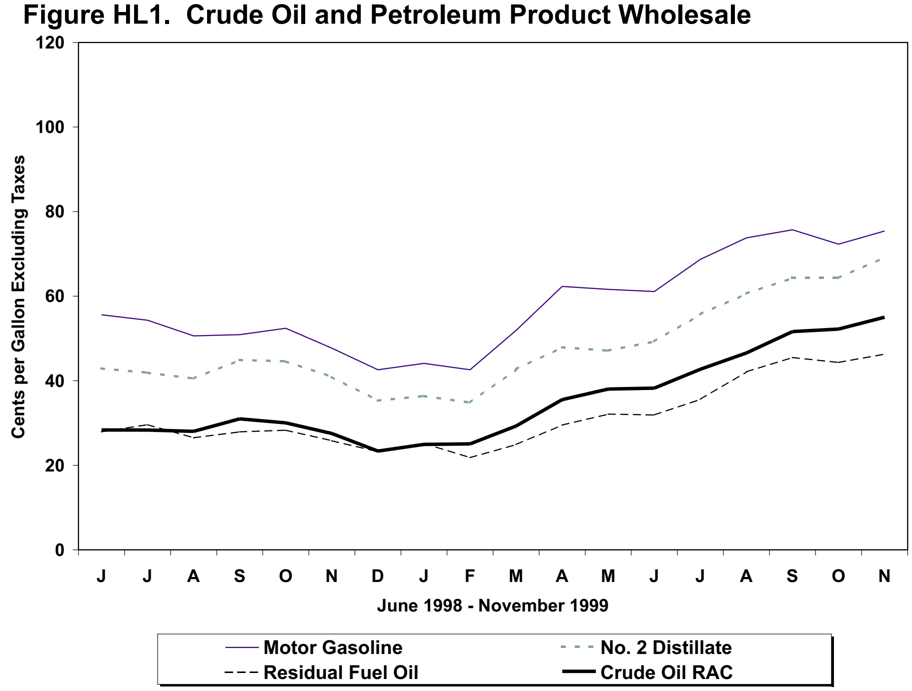
Highlights

International crude oil prices climbed considerably during November as a number of long and short term factors converged, allowing substantial increases to occur. During much of 1999, a shift in the supply and demand balance away from a saturated market to one where demand regularly exceeds supply has provided the foundation for prices to build. This transition is due in large part to Organization of Petroleum Exporting Countries (OPEC)-sponsored production cut agreements and robust demand from the flourishing U.S., and recovering Asian economies. Slated to end in March, several participants expressed interest in extending the production cuts past that date during November, providing more support to robust prices. Added impetus for rising prices came from disruptions to the U.N.-sponsored Iraqi "oil-for-food" program. The Iraqi government rejected a 2-week extension of phase VI of the program following the approval of resolution 1275 by the U.N. Security Council on November 19. Iraq objected to the resolution, saying it believed the decree was designed to help keep other Gulf War sanctions in place. Iraq halted oil exports on November 24. Elsewhere, civil unrest in Nigeria that disrupted oil production and exports during the first half of the month exacerbated the impact of Iraq's cessation of sales. The periodic outbreaks of civil strife in Nigeria are an outgrowth of the local communities in the country's main oil producing region demanding a larger portion of crude oil-generated revenue. Additionally, threats of a strike by oil workers in Venezuela and inclement weather in the Caribbean that disrupted production and transportation facilities in the region added pressure on prices in international markets.

In the United States, crude oil and finished product prices soared during November. Matters contributing to the sizable price increases ran the gamut from hurricanes to problems with pipelines and refineries to international political concerns. However, flourishing demand for refined products has underpinned the general growth trend in market prices over the last several months. Data show monthly demand for major refined products has usually been higher during 1999 than in 1998. Despite thinner refining margins and maintenance (scheduled and unscheduled) at various facilities, the rate of refinery utilization rose slightly in November. Forecasts for colder weather, especially on the East Coast and a late season hurricane in the Caribbean lifted prices at mid-month. Comparisons of year-on-year spot market prices for major products at New York Harbor clearly illustrate the change of atmosphere in the marketplace. The 1998 monthly average

Figure HL1. Crude Oil and Petroleum Product Wholesale



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products
(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	November 1999		October 1999		November 1998		November 1999		October 1999		November 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	88.3	58.7	87.1	60.4	63.7	63.8	75.4	309.5	72.3	308.2	47.8	290.2
Conventional	86.0	34.2	84.7	35.7	60.6	38.5	72.6	199.5	68.8	199.7	43.5	189.9
Regular	82.2	24.5	80.7	25.4	56.3	26.4	70.6	155.6	66.8	155.2	41.3	142.9
Midgrade	92.3	5.3	91.3	5.6	66.3	6.3	76.9	14.8	73.2	14.7	47.8	15.2
Premium	99.1	4.4	98.7	4.6	73.8	5.9	80.9	29.2	76.7	29.9	51.6	31.8
Oxygenated	92.4	3.4	91.2	2.4	66.7	3.5	82.3	12.7	80.9	10.1	55.6	11.9
Regular	89.2	2.7	88.5	1.9	62.7	2.5	80.6	9.4	79.5	7.7	53.1	8.5
Midgrade	99.6	0.5	98.2	0.3	73.0	0.6	81.9	1.5	79.2	1.2	56.6	1.5
Premium	109.5	0.3	107.6	0.2	81.4	0.4	92.2	1.7	92.0	1.2	65.6	1.9
Reformulated	91.4	21.1	90.5	22.3	68.7	21.8	80.1	97.3	78.7	98.4	55.8	88.4
Regular	86.9	14.3	86.1	15.3	63.5	14.1	76.8	67.6	75.2	69.2	51.9	57.8
Midgrade	96.6	3.5	96.2	3.6	74.4	3.9	84.8	9.9	84.0	9.9	60.7	10.3
Premium	104.9	3.3	104.6	3.4	81.9	3.9	89.2	19.8	88.5	19.3	64.3	20.3
Aviation Gasoline	117.4	0.1	118.4	0.1	93.3	0.1	108.3	0.6	109.8	0.7	83.6	0.4
Kerosene-Type Jet Fuel	67.6	48.9	64.4	48.2	44.0	44.3	66.4	17.5	63.5	16.0	42.9	14.6
Propane (Consumer Grade)	52.6	3.6	55.6	2.8	42.3	2.7	42.4	36.0	43.7	34.8	27.7	34.2
Kerosene	81.1	0.2	75.7	0.1	44.4	0.7	73.3	1.8	64.8	2.4	44.2	2.6
No. 1 Distillate	81.2	0.3	77.3	0.2	56.2	0.5	79.3	2.7	75.1	1.8	49.5	2.7
No. 2 Distillate	71.5	24.6	67.4	25.2	47.0	23.3	69.2	125.2	64.3	126.0	40.9	117.7
No. 2 Fuel Oil	71.5	3.0	66.0	2.9	46.7	3.1	66.5	26.9	61.3	23.8	38.9	24.7
No. 2 Diesel Fuel	71.5	21.6	67.6	22.3	47.0	20.2	69.9	98.4	65.1	102.2	41.4	93.0
Low Sulfur	73.8	14.2	69.4	14.8	48.5	13.8	70.5	85.5	65.6	88.8	41.8	78.9
High Sulfur	67.2	7.3	64.1	7.4	43.8	6.4	65.9	12.9	61.5	13.4	39.3	14.1
No. 4 Fuel[a]	57.7	0.3	56.2	0.2	43.3	0.3	63.7	0.1	52.3	0.2	36.8	0.2
Residual Fuel Oil	NA	NA	48.7	11.8	30.5	11.8	46.3	8.4	44.3	9.7	26.0	12.9
Sulfur Content not > 1 %	55.6	3.2	51.1	3.4	33.6	4.1	48.9	4.8	47.7	3.4	27.3	5.0
Sulfur Content > 1 %	NA	NA	47.7	8.3	28.9	7.7	42.8	3.6	42.5	6.3	25.1	8.0

NA = Not available.
[a] Includes No. 4 fuel oil and No. 4 diesel fuel.
Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.
Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual.*
Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

spot price for West Texas Intermediate crude oil was $13.00 per barrel, while the November 1999 average price was nearly twice that at $24.89 per barrel. The average spot price for regular gasoline was 37.2 cents per gallon in 1998 compared to 69.3 cents per gallon in November 1999. The 32.1 cents difference represents an 86 percent increase. For No. 2 heating oil, the average price last year was 35.9 cents per gallon and 64.6 cents per gallon in 1999.

Additional November market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

Pressure from political events and declining stock levels caused the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma to increase considerably during November. After opening at $21.79 per barrel, the price rose solidly during the next several weeks as a variety of circumstances affected fundamental market conditions. Spurred by reports that Iraq would suspend participation in the U.N.-sponsored oil-for-food program, the price reached both the month's high and a new post-Persian Gulf War high of $28.03 per barrel on November 22. The price dropped considerably following the long Thanksgiving weekend as concerns about Iraqi exports diminished and market technical factors came into play. Closing November at $24.87 per barrel, the price was $3.08 per barrel higher than where it began the month.

- Monthly average crude oil prices for November show sizable changes from October levels. The average domestic crude oil first purchase price underwent the largest increase, rising $1.61 (8.2 percent), to $21.32 per barrel.

- The average free-on-board (f.o.b.) cost of imported crude oil increased $1.16 (5.6 percent), to $21.99 per barrel. The average landed cost of foreign crude oil rose $1.01 (4.7 percent), to $22.69 per barrel.

- The average refiner acquisition cost for domestic crude oil rose 68 cents (3.0 percent), to $23.07 per barrel. The average cost of imported crude oil to U.S. refiners increased $1.52 (7.0 percent), to $23.14 per barrel. The composite refiner acquisition cost of crude oil climbed $1.18 (5.4 percent), to $23.11 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for unleaded regular gasoline at New York Harbor surged in November, animated principally by reports showing considerable declines in stock levels and problems at various refining facilities across the country. Opening the month at 62.1 cents per gallon, the price continued to rise with few interruptions over the coming weeks. The high of 75.8 cents per gallon, reached on November 24, also marked the highest level for the prices since August 1997. The price tumbled during the final two days of the month, closing November at 69.2 cents per gallon.

- November national average gasoline prices rose in all categories of sales, offsetting most of October's losses. The average price for retail sales of motor gasoline by refiners increased 1.2 cents to 88.3 cents per gallon, while the average wholesale price rose 3.1 cents to 75.4 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets climbed 1.2 cents to 87.3 cents per gallon. The average wholesale price increased 3.0 cents to 75.5 cents per gallon. The average dealer tank wagon (DTW) price rose 1.7 cents to 83.2 cents per gallon, while the average rack price jumped 4.1 cents to 73.7 cents per gallon. The average price for bulk sales increased 2.3 cents to 66.0 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 4.5 cents at retail and 6.2 cents at wholesale. The difference between conventional and oxygenated gasoline prices was 7.4 cents at retail and 8.6 cents at wholesale.

- Refiner gasoline sales were generally down in November. Total sales declined 400,000 gallons per day (0.1 percent), to an average of 368.2 million gallons per day. Retail sales fell 1.7 million gallons per day (2.8 percent), while wholesales rose 1.3 million gallons per day (0.4 percent). Rack sales made up 63.2 percent of wholesales, while DTW and bulk sales accounted for 23.1 percent and 13.7 percent, respectively. Reformulated gasoline (RFG) comprised 32.2 percent of total motor gasoline sales, while oxygenated accounted for 4.4 percent.

No. 2 Distillate

At New York Harbor, the November daily spot price for No. 2 heating oil remained in step with other products prices, rising considerably over the month. Opening at 57.2 cents per gallon, the price increased throughout the coming weeks, animated in large part by reports of declining stock levels. Like gasoline, the month's high of 69.5 cents per gallon, reached on November 24, also represented the highest level seen in more than two years. Closing at 64.0 cents per gallon, the price was approximately 6.8 cents higher than where it began November.

- November monthly average No. 2 distillate prices rose substantially in all categories of sales. Again the national average residential price showed the greatest amount of change, rising 5.2 cents to $1.00 per gallon. The average wholesale price increased 4.5 cents to 68.9 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 3.8 cents, while the average wholesale price increased 4.7 cents. The difference between low- and high-sulfur diesel fuel prices was 5.3 cents at retail and 4.0 cents at wholesale.

- Except for No. 2 fuel oil sales, refiner sales of No. 2 distillates fell during November. Total sales of No. 2 distillate decreased 1.2 million gallons (0.8 percent), to 149.9 million gallons per day. Sales of No. 2 fuel oil increased 3.2 million gallons per day (12.0 percent), while sales of No. 2 diesel fuel declined 4.4 million gallons per day (3.5 percent). Low-sulfur diesel fuel accounted for 83.1 percent of all refiner diesel fuel sales and 66.5 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- November average residual fuel oil prices generally increased from October levels. Refiner prices for low-sulfur residual fuel climbed 4.5 cents to 55.6 cents per gallon at retail, and 1.2 cents to 48.9 cents per gallon at wholesale. The average high-sulfur residual fuel wholesale price inched up 0.3 cent to 42.8 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 2.0 cents to 52.5 cents per gallon at retail, and 1.1 cents to 49.2 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil fell slightly, declining 0.4 cent to 48.3 cents per gallon.

- Refiner residual fuel oil sales were mixed in November. Low-sulfur residual fuel sales fell 200,000 gallons per day (5.9 percent) at retail, but rose 1.4 million gallons per day (41.2 percent) at wholesale. High-sulfur residual fuel sales declined 2.7 million gallons per day (42.9 percent) at wholesale.

Other Products

- Prices for the remaining surveyed products generally increased during November. Refiner propane prices fell 3.0 cents per gallon at retail, and 1.3 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 4.3 cents per gallon. The average retail price for propane rose 3.4 cents, while the average wholesale price declined 2.0 cents per gallon. Prices for kerosene-type jet fuel, kerosene, No. 1 distillate, and No. 4 distillate rose at both retail and wholesale. Aviation gasoline prices declined at retail and wholesale.

- Refiner sales of these products varied during November. Propane, kerosene-type jet fuel, and No. 1 distillate sales rose at retail and wholesale, while sales of aviation gasoline declined at both levels. Kerosene and No. 4 distillate sales increased at retail, but decreased at wholesale.